



STATE OF HAWAII  
DEPARTMENT OF TRANSPORTATION  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

Board of Land and  
Natural Resources  
State of Hawaii  
Honolulu, Hawaii

ISSUANCE OF A DIRECT LEASE  
FEDEX GROUND PACKAGE SYSTEM, INC.  
HONOLULU INTERNATIONAL AIRPORT

OAHU

REQUEST:

Issuance of a direct lease to FEDEX GROUND PACKAGE SYSTEM, Inc. for the development, construction, operation, and maintenance of a small package distribution facility for Fedex Corporation at Honolulu International Airport.

APPLICANT / LESSEE:

FEDEX GROUND PACKAGE SYSTEM, INC., a Delaware corporation authorized to do business in the State of Hawaii

LEGAL REFERENCE:

Subsection 171-59(b), Hawaii Revised Statutes, as amended

LOCATIONS AND AREAS:

Portion of Honolulu International Airport, Honolulu, Island of Oahu, identified by Tax Map Keys: 1<sup>st</sup> Division, 1-1-76:16, :17, :18 and :19

AREAS:

Area/Space Nos. 011-116, -117, -118 and -119, containing land areas of 9,600, 9,600, 9,600 and 90,433 square feet, respectively of improved, unpaved land, as shown and delineated on the attached map labeled Exhibit A.

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ZONING:

State Land Use District: Urban  
City and County of Honolulu: I-2 (Industrial)

LAND TITLE STATUS:

Public Law 88-233 “ceded” land of the Hawaii Admission Act  
DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: YES ☐ NO ☒

CURRENT USE STATUS:

Land presently encumbered by Governor’s Executive Order No. 3201, setting aside a portion of Honolulu International Airport under the control and management of the Department of Transportation, Airports Division, State of Hawaii, for Airport Purposes.

CHARACTER OF USE:

Development, construction, operation, and maintenance of a small package distribution facility

TERM OF LEASE:

Thirty (30) years

LEASE COMMENCEMENT DATE:

To be determined by the Director of Transportation at a later date.

ANNUAL GROUND LEASE RENTAL:

First Five (5) Years (Lease Years 1 through 5): \$457,854.72 per annum, payable in quarterly installments of \$114,463.68, in advance, based upon the present ground lease rental rate of \$3.84 per square foot per annum for improved, unpaved land at Honolulu International Airport.

Second Five (5) Years (Lease Years 6 through 10): \$526,532.92 per annum, payable in quarterly installments of \$131,633.23, in advance, based upon the product of the annual rental for the fifth (5<sup>th</sup>) year of the lease term (\$457,854.72) and 115%.

Fourth Five (5) Years (Lease Years 16 through 20): An annual rental of 115% times the annual rental for the last year of the immediately preceding five-year period (15<sup>th</sup> year) of the lease term.

Sixth Five (5) Years (Lease Years 26 through 30): An annual rental of 115% times the annual rental for the last year of the immediately preceding five-year period (25<sup>th</sup> year) of the lease term.

REOPENING OF ANNUAL GROUND LEASE RENTAL:

For the third and fifth five (5)-year reopening lease periods, the fair market annual ground lease rental shall be determined separately when due at the time of reopening, in accordance with the provisions of Section 171-17, Hawaii Revised Statutes, relating to Appraisals, by an independent real estate appraiser whose services shall be contracted for and paid by the Department of Transportation; provided however, that the land rental for each year shall be no less than a rental of 115% times the annual rental for the last year of the immediately preceding five-year period.

PERFORMANCE BOND:

Sum equal to the annual ground lease rental then in effect

MINIMUM IMPROVEMENTS REQUIREMENT:

The Lessee shall, within twelve (12) months after the commencement date of the Lease, invest the sum of not less than \$6,500,000 for upgrading and improving the leased premises and constructing its facility improvements and other accessory fixed leasehold improvements on the leased premises. The upgraded and improved leased premises and facility improvements and other accessory, fixed leasehold improvements shall be constructed in accordance with construction plans, drawings, and specifications approved by the Department of Transportation, Airports Division, in writing, prior to the commencement of any construction work.

PROPERTY CHARACTERISTICS:

Utilities:	All utilities are available at the site
Improvements:	Fedex Ground Package System, Inc. desires to develop, construct, operate and maintain a small package distribution facility on the proposed leased premises.

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

The subject land area is covered by Volume 3, Environmental Assessment for the Honolulu International Airport Master Plan Update and Noise Compatibility Program dated September 1989, and referenced as State Project No. AO1011-03. This Environmental Assessment evaluated the environmental effects of the recommended Airport Development Plan which

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would accommodate the forecast general and commercial aviation needs of the island of Oahu through the year 2005 and was prepared for the State of Hawaii, Department of Transportation, Airports Division by KFC Airport, Inc.

DCCA VERIFICATION:

Place of business registration confirmed: YES √ NO     

Registered business name confirmed: YES √ NO     

Good standing confirmed: YES √ NO     

REMARKS:

In accordance with Section 171-59(b), HRS, relating generally to Management and Disposition of Public Lands and relating specifically to Disposition by negotiation, the Department of Transportation proposes to issue a direct lease to Fedex Ground Package System, Inc. for the purpose of: developing, constructing, operating, and maintaining a small package distribution facility and other related accessory improvements at Honolulu International Airport.


RECOMMENDATION:

That the Board authorize the Department of Transportation to issue a direct lease to Fedex Ground Package System, Inc., subject to: (1) terms and conditions herein outlined, which are by reference incorporated herein; (2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State; and (3) review and approval of the Department of the Attorney General as to the lease form and content.

Respectfully submitted,

  
BARRY FUKUNAGA  
Director of Transportation

APPROVED FOR SUBMITTAL:

  
for LAURA H. THIEL  
Interim Chairperson

